



The Advisor

for our Retired members

A semi-annual publication of the Massachusetts Teachers' Retirement Board as a service to its members

Fall 2005

BOTH FORMS WILL BE INCLUDED IN SAME ENVELOPE

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*We're returning to our cost-saving plan to mail your **1099-R tax form and Benefit Verification Form** together in the same envelope*

Our job is to pay the appropriate retirement or survivor allowance to the individual who earned the particular benefit. Accordingly, the retirement law requires that the MTRB verify the eligibility of all retirees and beneficiaries who are receiving monthly benefits. In other words, we must verify that “you,” the person who earned the benefit, is “you,” the person who is receiving the benefit.

While we know that this might seem like a tedious and burdensome task for some of you, it is a very helpful and serious process for us. Most importantly, it ensures the protection of the retirement system by verifying that we are paying benefits to the people who earned them.

During this past year's Benefit Verification process, we mailed forms to 41,897 members in March 2005. While we had to send out second and even third notices—and even temporarily stop benefit payments to some members—as of press time, we have heard from all but 53 retirees, whose benefits have been suspended since August.

If you receive a retirement benefit from us, you will receive a 2006 Benefit Verification Form in January, along with

your 1099-R tax form. We will ask you to complete and return your form by an as-yet-to-be-determined deadline, and enclose a pre-addressed return envelope for your convenience. Within four to six weeks after your completed form is processed by our outside vendor, you will receive an acknowledgment postcard. Additional information on the Benefit Verification process can be found on our web site at mass.gov/mtrb/2members/22retiree/22benverfaq.htm. ■

Didn't return your 2005 Benefit Verification Form?

If you are among the 50 retirees who have not yet returned your completed, notarized 2005 Benefit Verification Form, you have probably found that your MTRS benefit allowance was stopped, beginning with your August payment. In order to reinstate your benefits, you will have to complete and return our Benefit Verification form.

If you are in this group, please CALL our Retiree Services Unit at 617-878-2890 as soon as possible. If you need a new form, we will send you one. If you are unable to get to a notary, we will tell you what to do. Be aware that, until you return your completed, notarized Benefit Verification form, your MTRS benefits will be stopped indefinitely.





Dr. David P. Driscoll
Commissioner of Education
and Chairman,
Massachusetts Teachers'
Retirement Board

FROM THE CHAIRMAN

Board pursues equitable benefits; Strong investment returns continue

We need to remain steadfast in our efforts to ensure adequate funding of our pension system. We were fortunate to come through the latest recession as well as we did and our investment performance continues to be very strong.

As financial stability is achieved, we must turn our attention to equitable benefits for our retired members and recently hired educators who will contribute significantly more for their benefits. The most disadvantaged group in our retirement system remains our oldest members who retired decades ago. Many of them are literally eligible for food stamps given the small pension they received at the time of retirement and the dramatic effects of inflation over the years.

We are encouraged by the latest attempts to increase the base allowance on which a COLA is granted; however, we continue to advocate for a long-term purchasing power protection strategy. We also continue to be concerned about

our newest members who are paying the 11 percent contribution rate. They will not receive the kind of added benefit many of us who have contributed at the rate of 5 percent for the majority of our careers will receive.

In keeping with our goals of stability and equity, your Board has filed legislation to guard against enhancements that may inflate the three-year salary average, such as the local practice of Enhanced Longevity Buy-Out programs (ELBOs), which add significant costs to the system and advantage only a fraction of the membership. We believe the assets of the pension system are better used by increasing COLA benefits for all of our retirees and establishing fair contribution rates for all members.

Best wishes,

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Stay up to date on retirement issues— Have retirement updates delivered right to your desktop when you **register to receive MTRB M@il!**

More than 19,000 active and retired members and retirees have now signed up. Just give us your e-mail address and you'll receive advance notice of our newsletter's availability, important announcements and retirement news in quarterly updates. It's easy!

- 1) Go to **mass.gov/mtrb**.
- 2) Click on **MTRB M@il** in the left margin.
- 3) Complete the simple online form with your MTRB member status (retired or survivor-beneficiary), name, date of birth and your e-mail address.
- 4) Watch your e-mail for quarterly updates!

New e-mail address? No problem—just send your old and new addresses to us at **geninfo@trb.state.ma.us** and we'll update our records so that you don't miss any messages from us.

Retiree Q&A

Medicare Part D

I've been hearing about the new Medicare prescription drug plans. How can I find out more?

Beginning January 1, 2006, in accordance with the Medicare Prescription Drug Improvement and Modernization Act of 2003, new Medicare prescription drug plans will be available to individuals who have Medicare Part A and/or Part B. Private insurance companies are working with Medicare to offer these plans.

The following resources provide information about the new Medicare prescription drug plans:

- The Center for Medicare and Medicaid Services can be reached at **1-800-MEDICARE** or **1-800-633-4227**.
- The Medicare web site at **www.medicare.gov** provides a number of links to information and publications on the new prescription drug program.

How can I find out if the new Medicare prescription drug plan makes sense for me?

If you already have prescription drug coverage as a component of your health insurance from your former school district, you may not need to enroll in the Medicare Part D coverage. However, for some retirees and survivors, the coverage may make sense.

If you are not sure whether you currently have coverage or do not know the extent of your current coverage, you should contact your health plan and ask for printed material detailing your current prescription drug coverage.

If you receive your coverage under the Commonwealth's Retired Municipal Teachers (RMT) Program administered by the Group Insurance Commission (GIC), you can find out more about your current coverage and read GIC's advice about the new Medicare plans at **mass.gov/gic**. ■

Social Security's Government Pension Offset (GPO) and your MTRS cost-of-living adjustments

I receive a Social Security spousal or widow's benefit in addition to my MTRS retirement allowance. When I receive a COLA from the MTRS, do I have to notify Social Security?

Yes—if you are subject to the Government Pension Offset (GPO), then you **must** notify Social Security of any cost-of-living adjustment you receive from the MTRS, as Social Security may then need to recalculate the benefit you are entitled to receive from the federal government. Please visit Social Security's web site at **www.ssa.gov** to locate your local Social Security office.

What is the GPO and how do I know if I am subject to it?

The Government Pension Offset is a reduction of Social Security spousal and widow's benefits. It applies to individuals who receive retirement benefits from states like Massachusetts where the public employees do not pay into the Social Security system. The amount of the offset equals two-thirds

of the amount that the retiree receives from the state pension plan.

For example, if you receive a pension from the MTRS of \$1,500/month, and you are subject to the GPO, the Social Security system will subtract \$1,000/month ($2/3 \times \$1,500$) from your Social Security spousal or widow's benefit, and only pay you the difference.

Some retirees are exempt from the GPO. If you were eligible to receive your MTRS pension **before** December 1, 1982, you are exempt from the GPO. In other words, if you had either twenty years of service in the MTRS or you were age fifty-five with at least 10 years of service before December 1, 1982, then you are not subject to the GPO, and any spousal or widow's benefits that you may be eligible for from Social Security would not be reduced.

For more information, please visit our web site at **mass.gov/mtrb/2members/22retiree/22gpopg.htm**, or Social Security's web site, at **www.ssa.gov**. ■



Reports, updates and news for MTRS r

Influential pension Commission recommends COLA base increase

MTRB persistence pays off

The Public Employee Retirement Administration Commission (PERAC) has recommended an increase of the base on which a cost-of-living-adjustment (COLA) is granted, from the current level of \$12,000 to \$16,000. The MTRB, along with representatives of the Retired, State, County and Municipal Employees Association, the Retired Educators Association of Massachusetts (REAM), and the State Retirement Board have championed this issue for the past few years and have been consulting with PERAC for the last year.

The PERAC recommendation is a critical milestone in the struggle to increase the COLA base. The PERAC recommendation will be forwarded to the Legislature and then referred to the Joint Committee on Public Service in the fall. The last boost in the COLA base occurred in 1997, when it jumped from \$9,000 to \$12,000. ■

Massachusetts Pension Reserves Investment Trust (PRIT) fund is performing extremely well

Back at the head of the class!

The recent TUCS (Trust Universe Comparison Report) Rankings as of June 2005 show the PRIT fund is once again ranked in the top one percent of public funds nationwide with over \$1 billion in assets. PRIT, which manages the assets of the State and

Teachers' Retirement Systems, has achieved an average return over the last ten years of 10.65 percent. For the trailing year, PRIM places in the top fifth percentile nationwide, with a return of 13.41 percent; for the last two and three-year periods, PRIM placed in the third percentile and for the last five-year period, in the 21st percentile.

The assets of the state and teachers' retirement system as of July were \$37.5 billion, up \$1.5 billion from the end of 2004. Although the systems have made tremendous progress over the last 10 years, the state and teacher retirement systems are just over 70 percent funded. ■

Key pension committee endorses increasing minimum pension

Recommendation is to increase minimum pension for retirees with 25 years of service from \$10,000 to \$15,000

The Committee on Public Service recommended increasing the minimum pension from \$10,000 to \$15,000 a year for state and teacher retirees who had at least 25 years of creditable service at retirement. The bill, *S1508 An Act Relative to the Minimum Pension*, was redrafted and reported favorably to the State Senate, and will be referred to the Senate Committee on Ways and Means for a cost analysis. The legislation must still navigate its way through the legislative process; however, this was certainly an important first step. The \$10,000 minimum pension benefit for retirees with at least 25 years of service was established in 1998. ■

retirees

Still receiving your payment by
mailed check?

Please consider changing to
direct deposit!

*It's safer, more convenient and, especially in light of
Hurricane Katrina, a more reliable payment method*

As we all know, at the end of August,
Hurricane Katrina devastated the Gulf coast.
In addition to losing many of life's necessities,
*"After this, the people of that area were
I'm changing to also cut off from something
direct deposit." most of us take for granted:
daily mail delivery.*

*—An MTRS retiree
living in New Orleans,
after Hurricane Katrina*

As Katrina hit just after the
August pension checks had
been mailed, we could only
hope that our several known
retirees in the Gulf states were
safe, and that the post office would hold their
checks until they could be delivered or returned to
us. We were very heartened to get a call from two
of our retirees in New Orleans who said that they
were all right, but needed help regarding receiving
their August checks. Said one weary retiree, "After
this, I'm changing to direct deposit."

If you currently receive your retirement
allowance by way of a paper check and would
like to change to direct deposit, please see our
web site at **[mass.gov/mtrb/2members/22retiree/
22dirdep.htm](http://mass.gov/mtrb/2members/22retiree/22dirdep.htm)**. We encourage all of our retirees to
use direct deposit as there is no mailed check to
be lost or stolen, and it is safe and convenient.

And please know that we sincerely hope that
none of you ever experiences a natural disaster
the likes of Katrina. ■

HELP WANTED!

As a retired educator, you are highly sought
after for volunteer opportunities!
For a listing of available opportunities,
please see our MTRS Community Bulletin
Board at mass.gov/mtrb/1news/1bulletin.htm.



LEGISLATIVE UPDATE

Two additional initiatives regarding retired teachers' pensions are now under review

*One bill seeks to apply new Option C factors
to pre-July 1, 2004 retirees; the other, to authorize
the Board to study options for protecting the
purchasing power of retirees' pensions*

■ Senate Bill 1505

S1505 would allow members who retired under
Option C prior to July 1, 2004 to have their Option C
benefits recalculated using the recently updated
mortality tables. If this measure becomes law, the
recalculations would be prospective from the date
of the bill's passage.

As many of you are aware, last year there was a
change in the retirement law that allowed the state's
actuary to use an updated mortality table and
interest assumptions in determining the retirement
factors used in the calculation of Option B and
Option C benefits. These adjusted factors result in
higher benefit amounts under Options B and C, and
are only effective for those members who retired on
or after July 1, 2004.

We note, however, that historically, amendments to
the retirement laws have been prospective. Very few
benefit adjustments have applied to retired
members.

■ House Bill 270

The second initiative, House Bill 270, would
authorize the MTRB to analyze, study and evaluate
the costs associated with protecting the purchasing
power of our retirees. Although the Board is very
supportive of the recent attempts not only to
increase the COLA base, but also to increase the
minimum pension benefits for retirees, our long-
term goal is to protect more of your purchasing
power from the effects of inflation.



Taking stock: 2005 in review

*Ring out the old and getting ready to ring in the new—
both on a high note!*

The MTRB Advisor is written and produced by the Massachusetts Teachers' Retirement System. We welcome letters from our readers and encourage you to send your comments to:

Advisor

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mass.gov/mtrb



As we prepare to say goodbye to another year we are happy to report that the Massachusetts Teachers' Retirement Board has implemented certain changes to improve the quality of service to our members, both active and retired.

With regard to our retired members, in April, as part of an agency reorganization, a Retiree Services Unit was established with a staff dedicated to meet the service requests from our expanding retiree population. One of the key initiatives of the new Retiree Services Unit is to develop a Retired Member Benefits seminar to focus on the issues affecting retirees. We would be very interested in hearing from you on what topics you would like us to cover. Please e-mail us at

geninfo@trb.state.ma.us and share your ideas.

We are also encouraged that the MTRB's diligence in advocating for an increase in the cost-of-living (COLA) base may become a reality. The Public Employee Retirement Administration Commission (PERAC) recently recommended to the Legislature that the base for the COLA be increased from \$12,000 to \$16,000 (*see page 4*).

The MTRB was one of the

representatives that worked with PERAC over the last year in developing a recommendation. While the MTRB believes that this is a step in the right direction, we will continue to support and advocate for long-term purchasing power protection through legislation. The MTRB recognizes that the most neglected group in the system continues to be our oldest members who have been retired for years. Many of them are in dire financial circumstances as a result of the small pension they received at the time of their retirement. The MTRB is committed to seeking a long-term solution to this inequity.

As we enter 2006, we will continue to improve the service we bring to our retirees and remain steadfast in reaching our goal of providing only the best service in administering your retirement plan. ■

*We're now in the
process of developing
an educational
program for retirees.*

*If you have any
suggestions on topics,
please drop us a line
to share your ideas!*

Massachusetts educators are retiring in record numbers!

*The number of retirements this year is **88 percent greater** than just five years ago—and we expect to process even more retirements in 2005–06*

During this past retirement season, the MTRB processed a record number of retirement applications and began paying monthly benefits to more than 3,500 new retirees.

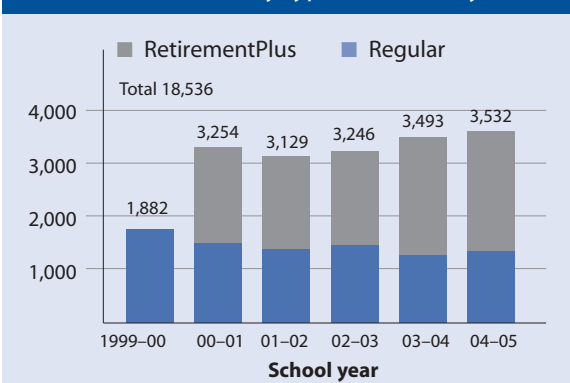
During the 1990s, the average number of retirees per year was 1,800. However, since 2001—which was also the year that RetirementPlus took effect—the numbers have increased dramatically. This year's class of retirees is 88 percent larger than just five years ago.

Even though the number of new retirements processed this year is the highest in our 91-year history, it is shy of the 4,000 we predicted. We believe that this is because next June will end the fifth of the first five years of the RetirementPlus program. Members who retire under RetirementPlus are required to contribute at 11 percent for a minimum of five years, or pay an equivalent accelerated cost out-of-pocket. To avoid this added expense, many teachers may have decided to wait to retire on June 30, 2006. In addition, members who were considering retiring this year have told us that economic factors, such as rising gasoline and oil prices, have influenced

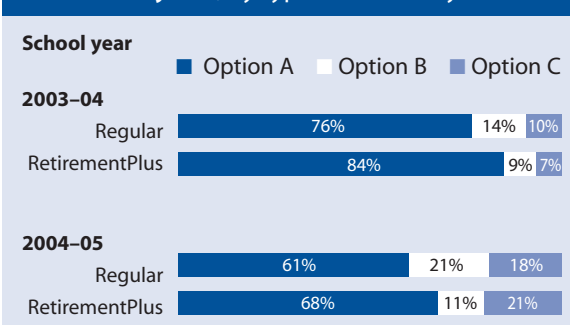
their decision to postpone their retirement for another year. The bottom line is that next summer is shaping up to be our biggest retirement season ever.

Another interesting statistic from this past retirement season is the significant shift in the distribution of retirement options selected. This year, many more retiring educators chose Options B and C because, effective July 1, 2004, the Governor and Legislature approved changing the factors used in the determination of those benefits, making them much more favorable to the retiree. As noted in our *Legislative Updates* on page 5, a bill to apply the new factors to members who retired under Option C prior to July 1, 2004 is currently under review, but, historically, amendments to existing retirement laws have been prospective. ■

Recent retirements, by type and school year



Retirement option distribution for last two years, by type and school year



Spending a few months away from home?

Please tell us where you'll be!

If you move or you will be away from your permanent address for more than a month, be sure to tell us. At least 30 days before the effective date of the change, notify us of your new or temporary address by sending us a completed *Change of Address* form, available in downloadable format at mass.gov/mtrb.

Note: Changes received after the 15th of the month will **not** be reflected until the following month. While we cannot accept address changes over the phone or e-mail, we will accept changes via fax. You will, however, still need to send us the original form.



What's new!

Watch for your 1099–R and 2006 Benefit Verification Form to arrive in January 1

We're returning to our plan to mail both of these important forms together in the same envelope—watch your mailbox!

Member Q&A 3

Medicare Part D and Social Security's Government Pension Offset

Reports, updates and news for retirees 4–5

On the PRIT fund, the COLA study, increasing the minimum pension amount and direct deposit

Plus a legislative update—and more!



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PLEASE TAKE NOTE OF OUR UPCOMING CHANGES—

We're getting an extreme makeover!

*We've just launched our redesigned web site—and in the spring, we'll be changing our name from MTRB to **MTRS** and relocating our Boston office!*

In the spring of 2006, our agency will be entering a period of new beginnings. At that time, the lease on our Boston office will expire and we'll be moving to a new location. We're currently working with the state's Department of Capital Asset Management to find a new space—one that is easily accessible to members and staff—and will announce our relocation plans to our members and constituents as soon as they're finalized.

Since we'll need to reprint all of our stationery and forms to reflect our new address, we're taking this opportunity to officially change our name to the **Massachusetts Teachers' Retirement System (MTRS)**. We want our name to reflect that we are a much larger group—comprised not only of the Board, but also of active and retired members, employer representatives and our staff—and we function as a "system," all interdependent. We'll reveal our new logo early next year, but please be assured that when you get mail from the **MTRS**, it's still us.

